

March 10, 2010

ITEM NO. A1

**AUTHORIZATION TO ENTER INTO CONTRACTS WITH LIBERTY MUTUAL
INSURANCE , ILLINOIS UNION INSURANCE, AND AXIS SURPLUS COMPANIES
FOR THE PRIVATE MANAGER INSURANCE PROGRAM'S GENERAL AND
EXCESS LIABILITY INSURANCE COVERAGES**

To the Honorable Board of Commissioners:

RECOMMENDATION

It is recommended that the Board of Commissioners (“Board”) approve the attached Resolution authorizing the Chief Executive Officer or his designee to procure General Liability and Excess Liability for the CHA’s Private Managers Insurance Program (the “PMIP”) through Aon Risk Services Central, Inc. (“Aon”), its Broker of Record from Liberty Mutual, Illinois Union and AXIS in the aggregate total amount of premiums not-to-exceed \$1,129,759 for the period of April 1, 2010 through March 31, 2011.

RECOMMENDATION SUMMARY

Funding: General Fund

Vendor: Aon Risk Services Central, Inc.
200 East Randolph Street
Chicago, IL 60601

Contract Type: Insurance Coverages
Contract Amount: \$1,129,759
Contract Period: April 1, 2010 through March 31, 2011
Option Period: N/A

M/W/DBE Participation: NA/See attached waiver

Section 3: N/A Considered Supply & Delivery

GENERAL BACKGROUND

The Board passed Resolution No. 2009-CHA-153 on October 15, 2009 authorizing a 1-year extension to the contract to Aon, as Broker of Record for the PMIP. One of Aon’s duties as CHA’s Broker of Record is to competitively solicit bids for insurance coverage on behalf of CHA.

The PMIP ensures that Private Management Companies have the necessary insurance coverage contractually required by CHA. All costs associated with the program (insurance premiums, claim and broker administration fees), are deducted from the participating Private Management Companies' operating budgets.

MBE/WBE/DBE participation has been waived as currently there is no MBE/WBE/DBE insurance company which can meet the standard criteria set forth by CHA that insurance providers carry a minimum rating of “A” by the A.M. Best Rating Guide.

RECOMMENDED PROGRAM COMPARED to EXPIRING PREMIUM

Coverage	2010 Premium	2009 Premium	Percentage Variance
General Liability Insurance Carrier	\$467,755* Liberty Mutual	\$792,540* Lexington	-41%
Excess Liability Insurance Carriers	\$662,004* Illinois Union and AXIS	\$845,376* Lexington	-12%
TOTAL	\$1,129,759	\$1,637,916	-31%

*includes surplus lines tax and stamping fees

PROCUREMENT HISTORY

Aon directly and indirectly (through one wholesaler) solicited requests for insurance premium quotes from 9 insurance carriers on January 9, 2009 and requested that their quotes be received by Aon on February 5, 2010. Aon received four quotes for General Liability and 3 quotes for Excess Liability. Due to the new contracts with the Private Property Management firms, Workers Compensation, Crime and Auto Liability insurance will not be included in the PMIP, but will instead be provided by the individual firms.

This was the first time in over ten years that multiple insurance carriers were willing to quote both the General and Excess Liability coverages. Last year, Aon was able to obtain competitive quotes for only the General Liability. This year using CHA’s improving claims history combined with the interest generated over the past several years by Aon, several insurance carriers provided competitive quotes for both General and Excess Liability. With its monopoly gone due to increased competition, Lexington, the incumbent carrier, did not provide competitive pricing for the General and Excess Liability. Not only do the premiums offered by Liberty Mutual, Illinois Union and AXIS provide a cost savings of 31% to the CHA from this past year’s premiums, but the retention level has been reduced from \$750,000 to \$250,000.

Based on the foregoing, it is in the best interest of the CHA to enter into contracts with Liberty Mutual Insurance Company for General Liability and Illinois Union and AXIS Surplus Insurance Companies for Excess Liability insurance, in the aggregate amount not-to-exceed \$1,129,759 for the CHA’s PMIP for the period of April 1, 2010 through March 31, 2011.

RESOLUTION NO. 2010-CHA-20

WHEREAS, The Board of Commissioners has reviewed Board Letter dated March 10, 2010, entitled “Authorization to enter into contracts with Liberty Mutual Insurance, Illinois Union and AXIS Surplus Insurance Companies for the Private Managers Insurance Program’s General and Excess Liability Insurance Coverages”;

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY

THAT the Board of Commissioners authorizes the Chief Executive Officer or his designee to procure General Liability and Excess Liability Coverage for the Private Managers Insurance Program through Aon Risk Services Central, Inc. from Liberty Mutual Insurance (General Liability), Illinois Union and AXIS Surplus Insurance Companies (Excess Liability) in the aggregate amount not-to-exceed \$1.129.759 for the period April 1, 2010 through March 31, 2011.

